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Department of Defense
DIRECTIVE

AD-A272 478



September 7, 1984
NUMBER 7050.4

IG, DoD

SUBJECT: Awards for Cost Savings Resulting from the Disclosure of Fraud,
Waste, or Mismanagement

- References:
- (a) Title 5, United States Code, Sections 4511-4514, "Awards for Cost Savings Disclosures" (Public Law 97-35, Section 1703)
 - (b) Secretary of Defense Memorandum, "Inspector General DoD Cash Award Program," December 1, 1983
 - (c) DoD Instruction 5120.16, "Department of Defense Incentive Awards Program: Policies and Standards," July 15, 1974
 - (d) through (g), see enclosure 1

A. PURPOSE

This Directive implements references (a) and (b) by establishing a program for the Inspector General, Department of Defense (IG, DoD), to grant cash awards to DoD civilian employees whose disclosures of fraud, waste, or mismanagement to the Office of the IG, DoD, result in cost savings to the Department of Defense. It also provides a mechanism for the IG, DoD, to nominate employees to the Director, Office of Personnel Management (OPM), for Presidential awards for such disclosures that result in substantial savings meriting an award above that authorized for the IG, DoD, to grant.

B. APPLICABILITY AND SCOPE

1. This Directive applies to the Office of the Secretary of Defense; the Office of the IG, DoD; the Military Departments; the Organization of the Joint Chiefs of Staff; the Unified and Specified Commands; and the Defense Agencies.
2. This Directive covers employees individually or in groups.
3. This Directive does not apply to cash awards made under the DoD Incentive Awards Program covered by DoD Instruction 5120.16 (reference (c)), and dual awards will not be made.
4. This Directive does not apply to auditors, investigators, and others whose duties include the discovery and disclosure of fraud, waste, and mismanagement, unless the disclosure relates to a matter that is not within their official responsibilities.
5. This Directive does not apply to members of the Uniformed Services.

C. DEFINITIONS

The terms used in this Directive are defined in enclosure 2.

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D. POLICY

1. It is DoD policy to encourage employee participation in improving DoD operations by recognizing and rewarding, individually or in groups, those whose disclosures of suspected fraud, waste, or mismanagement result in savings to the Department of Defense. To be eligible for an award, the disclosure shall be made while the person is employed by the Department of Defense.

2. Awards will be made under this cash award program for voluntary disclosures revealing fraud, waste, or mismanagement made directly to the Office of the IG, DoD. This program supplements existing DoD award programs by providing a way for employees to be recognized and rewarded when they make their disclosures to the IG, DoD.

3. An individual or a group may be recognized. If a group is involved, the award shall be based on the benefits to the Department of Defense and may be in equal or unequal shares, depending on the nature of the individual contributions.

4. The identity of any employee who receives a cash award under this Directive shall remain confidential at the employee's request.

5. The amount of an award by the IG, DoD, may not exceed an amount equal to 1 percent of the total DoD cost savings that are determined to be the total savings attributable to the DoD employee's disclosure or \$10,000, whichever is less. Cost savings projected for later fiscal years may be taken into account. When computing the amount of the award, cost savings projected for later fiscal years shall be based on the Five-Year Defense Program period. The President may pay a cash award, but not to exceed 50 such awards during any fiscal year, of \$20,000 to any employee whose disclosure has resulted in substantial cost savings for the government (5 U.S.C. 4511-4514, reference (a)).

6. Acceptance of a cash award constitutes an agreement that the government's use of an idea, a method, or a device for which the award is made may not form the basis of any further claim against the Department of Defense by the employee, or his or her heirs or assigns.

7. Final approval of an award is solely within the discretion of the IG, DoD, and may not be delegated.

E. RESPONSIBILITIES

The Inspector General, Department of Defense, shall:

1. Establish policy and implement the cash award program.

2. Encourage the application of constructive ideas received through the cash award program in the Department of Defense.

3. Review and evaluate all documentation of award nominations and be the approval authority for awards not exceeding \$10,000.

4. Evaluate and recommend employees for Presidential awards for cost-savings disclosures.

5. Ensure anonymity to employees receiving awards, if they so desire. This does not, however, preclude publishing of the number and amounts of such awards, the savings to the Department of Defense, and, whenever possible, a synopsis of the actions taken as a result of such disclosures. This information, except that which may be withheld under applicable statute or Executive order, may be released within the Department of Defense and to the public to encourage other employees to disclose fraud, waste, or mismanagement.

F. PROCEDURES

The IG, DoD, shall:

1. Establish internal procedures for documentation and review of nominations and for approval or disapproval of awards, including protection of anonymity of the employee, when requested.

2. Review DoD employee disclosures or proposals for potential application elsewhere in the government. These will be referred in accordance with Section 205, Chapter 45, of the OPM Regulation and the Federal Personnel Manual (references (d) and (e)). If, as a result of wider application, greater benefits to the government result, an additional award may be granted under subchapter 1 of 5 U.S.C. 4501(a), Chapter 45 (reference (f)).

3. Document the cost savings to the Department of Defense that substantiate the award decision.

4. Nominate to the Director, OPM, through the Secretary of Defense, employees whose contributions resulted in cost savings to the Department of Defense that substantially exceed those that qualify for an award of \$10,000.

5. Within 30 days of the actual date of each award approval, submit to the Comptroller General of the United States documentation of any award made under this Directive. The documentation shall include the following:

- a. The amount of the award.
- b. Action taken by the Department of Defense as a result of the disclosure.
- c. The actual or estimated cost savings to the Department of Defense.

G. EFFECTIVE DATE

This Directive is effective immediately.

A handwritten signature in dark ink, appearing to read "William H. Taft, IV". The signature is fluid and cursive, with a prominent "W" and "T".

William H. Taft, IV
Deputy Secretary of Defense

Enclosures - 2

1. References
2. Definitions

REFERENCES (continued)

- (d) Office of Personnel Management Regulation, October 12, 1979 (5 CFR 451)
- (e) Federal Personnel Manual, Chapter 451
- (f) Title 5, United States Code, Section 4501(a), Chapter 45, "Incentive Awards"
- (g) Title 5, United States Code, Section 2105

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DEFINITIONS

1. Cost Savings

a. Present tangible net benefits to the Department of Defense for which the monetary value reasonably can be established.

b. Projected tangible net benefits to the Department of Defense for which the monetary value reasonably can be estimated and validated. Cost savings may result from:

(1) Reduction or avoidance of direct or recognizable costs or losses.

(2) Collection or recoupment of funds expended for:

(a) Government grants.

(b) Collective agreements.

(c) Contracts for property or services.

(d) Program expenditures, program entitlements, loans, or loan guarantees.

2. Disclosure to Inspector General, Department of Defense. A DoD employee's voluntary exposure of fraud, waste, or mismanagement; furnishings of information concerning such matters; and full cooperation with any investigation or other inquiry.

3. Employee. An individual as defined in 5 U.S.C. 2105 (reference (g)).

4. Fraud. Any intentional deception of the Department of Defense (including attempts and conspiracies to effect such deception) for the purpose of inducing DoD action or reliance on that deception. Such practices include but are not limited to the offer, payment, or acceptance of bribes or gratuities; making of false statements; submission of false claims; use of false weights or measures; evasion or corruption of inspectors and other officials; deceit either by suppression of the truth or misrepresentation of a material fact; adulteration or substitution of materials; falsification of records and books of account; arrangements for secret profits, kickbacks, or commissions; and conspiracy to use any of these devices. The term also includes cases of conflict of interest, criminal irregularities, and unauthorized disclosure of official information that are related to procurement and disposal matters.

5. Mismanagement. To manage the resources or programs within one's assigned responsibilities in such a manner as to create or perpetuate waste or to contribute to acts of fraud.

6. Waste. The extravagant, careless, or needless expenditure of DoD funds; or the consumption of DoD property that results from deficient practices, systems, controls, or decisions. The term also includes improper practices not involving prosecutable fraud.